

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-07  
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01  
CIAE-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06  
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R 281340Z JUN 77  
FM AMEMBASSY MANAMA BAHRAIN  
TO SECSTATE WASH DC 4855  
INFO USDOC WASH DC  
AMEMBASSY ABU DHABI UAE  
AMEMBASSY AMMAN JORDAN  
AMEMBASSY ATHENS GREECE  
AMCONGEN DHARAN SAUDI ARABIA  
AMEMBASSY DOHA QATAR  
AMEMBASSY JIDDA SAUDI ARABIA  
AMEMBASSY KUWAIT KUWAIT  
AMEMBASSY MUSCAT OMAN  
AMEMBASSY TEHRAN IRAN

UNCLAS MANAMA 1386

ATHENS FOR RTDO

ABU DHABI PLEASE PASS DUBAI

JIDDA PLEASE PASS RIYADH

E.O. 11652: N/A  
TAGS : ETRD, BEXP, BA, XF  
SUBJECT : 'OFFSHORE COMPANIES LAW' EXPECTED IN FALL 1977

1. FOLLOWING ON THE SUCCESS OF ITS OFFSHORE BANKING UNIT  
PROGRAM, THE GOVERNMENT OF BAHRAIN HAS DECIDED TO  
ISSUE A DECREE, PROBABLY IN THE EARLY FALL OF 1977,  
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TO FACILITATE THE ESTABLISHMENT OF AN 'OFFSHORE  
COMPANIES' STATUS IN BAHRAIN. AS WITH THE OFFSHORE  
BANKS (THIRTY EIGHT MAJOR INTERNATIONAL BANKS HAVE  
ACTUALLY OPENED THEIR DOORS FOR REGIONAL BUSINESS  
IN THE PAST EIGHTEEN MONTHS), THE 'OFFSHORE COMPANIES'  
WOULD BE BARRED FROM DOING BUSINESS IN BAHRAIN. IF  
THEY DID WANT TO DO SUCH, THEY WOULD HAVE TO BE

REPRESENTED BY AN AGENT OR SPONSOR AS IS THE CASE WITH ALL COMPANIES.

2. THE GOAL OF THE PROGRAM SEEMS TO BE THREEFOLD: TO FURTHER ESTABLISH BAHRAIN'S POSITION AS ONE OF THE LEADING REGIONAL BUSINESS CENTERS, PARTICULARLY FOR FIRMS WITH AN EYE TO BUSINESS IN SAUDI ARABIA; TO GENERATE SOME REVENUES FOR THE GOB (THE OFFSHORE BANKS PAY AN ANNUAL LICENSING FEE OF \$25,000), AND TO PROP UP THE SAGGING RENTAL MARKET IN BOTH OFFICE AND RESIDENTIAL ACCOMODATIONS (SEE MANAMA 1350 FOR A DISCUSSION OF THOSE PROBLEMS).

3. WHILE THE OUTLINES OF THE PLAN HAVE BEEN APPROVED BY THE CABINET, MINISTRY OF COMMERCE OFFICIALS AND BAHRAIN MONETARY AGENCY OFFICIALS TELL US THEY ARE HAVING A DIFFICULT TIME DRAFTING THE IMPLEMENTING REGULATIONS. THIS IS THE CASE BECAUSE THEY THINK THEY WANT TO ENCOURAGE INTERNATIONAL COMPANIES IN SOME SECTORS (SHIPPING, INSURANCE, ETC.) AND POSSIBLY NOT IN OTHERS. AT THE SAME TIME THEY WANT TO CAREFULLY GET APPLICANTS TO GRANT LICENSES ONLY TO MAJOR INTERNATIONAL FIRMS. THIS IS THE SAME TACK THE GOB TOOK WITH THE OFFSHORE BANKING UNIT PROGRAM WHERE IT ENCOURAGED AND IN FACT APPROVED APPLICATIONS ONLY FROM MAJOR INTERNATIONAL BANKS, REJECTING AND DEFLECTING APPLICATIONS FROM REGIONAL AND 'NATIONAL' BANKS. THERE IS UNCLASSIFIED

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ALSO CONCERN THAT THE STRAINED INFRASTRUCTURE HERE, ESPECIALLY WITH REGARD TO THE TELEX AND TELEPHONE SYSTEMS, MIGHT NOT BE ABLE TO HANDLE ANOTHER MAJOR INCREASE IN DEMAND (QUALITY OF SERVICE SLIPPED NOTICEABLY LAST YEAR AS A RESULT LARGELY OF THE DEMANDS OF THE OFFSHORE BANKING UNITS).

4. A VISIT JUNE 27 TO THE ASST. UNDERSECRETARY FOR COMMERCIAL AFFAIRS, TO INTRODUCE THE DISTRICT MANAGER FOR PACCAR INTERNATIONAL, REVEALED THAT THE GOB IS SPECIFICALLY HOPING TO ENCOURAGE MAJOR AMERICAN FIRMS LIKE PACCAR, WITH LITTLE OR NO BUSINESS IN BAHRAIN, BUT WITH MAJOR INTERESTS AND BACKING IN SAUDI ARABIA, TO ESTABLISH OFFICES HERE, INTERESTINGLY, PACCAR WAS INFORMED OF "OFFSHORE COMPANY" STATUS BY SAUDI BUSINESSMAN - PRESUMABLY BUT NOT

NECESSARILY ITS PRIMARY AGENT, ADNAN KHASHOGGI.

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
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**TAGS:** ETRD, BEXP, BA, XF  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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